

From: Government & Public Affairs [mailto:lfekadu@caionline.org]

Sent: Tuesday, March 22, 2011 8:46 AM

To: Adrian Adams

Subject: CAI Alert: FHA Issues Waiver on Leasing Restrictions

FHA Issues Waiver on Leasing Restrictions

Leasing restrictions have been one area of the FHA condominium guidelines that has caused problems for associations seeking to get FHA approvals. CAI has brought this issue to FHA's attention and has petitioned FHA to review these criteria. On March 18, 2011, FHA issued a [waiver](#) that will provide greater flexibility on leasing restrictions under the FHA condominium insurance program. This means that many condominium associations whose FHA approval was rejected due to rental restrictions may now qualify under the FHA waiver.

The FHA waiver will be effective for one year and will apply to leasing restrictions where the condominium project's declaration, covenants, master deed, bylaws, or other pertinent documents contain provisions that restrict a unit owner's ability to lease their unit. FHA has announced that the waiver will apply to the following types of rental restrictions requirements:

- That all leases be in writing and subject to the declaration and bylaws of the condominium project.
- That the condominium association receives a copy of the sublease or rental agreement.
- That the condominium may not require a prospective tenant be approved by the association, including, but not limited to, meeting creditworthy standards.
- That the association may request the names of all tenants, including the tenants' family members.
- That unit owners are prohibited from leasing their units for less than 30 days.
- That associations may establish maximum lease terms (e.g., no more than 6 months, 12 months, etc).
- A limit imposed by the association on the total number of rental units allowed, provided the percentage of rentals do not exceed the current FHA owner occupancy requirement of at least 50 percent owner occupied units.

Prior to the waiver, many associations were disqualified from FHA financing due to rental restrictions. This change was sought by [CAI in a meeting with FHA](#) in January of 2011. This added flexibility removes one of the more frustrating aspects of the FHA guidelines that required condominium associations to limit rentals of units, but disqualified them if they took any proactive steps to meet this requirement.

The waiver will be effective until March 18, 2012.

CAI continues to voice its [concerns](#) with the lack of transparency and public notice by FHA in developing its condominium guidelines.

If you have any questions or concerns related to the FHA Condo program, please send them to government@caionline.org with the subject line of FHA Guidelines.